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PARIS FOR BURNS AND JAMES

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Greek political scene continues hold elements great uncertainty. We are still in atmosphere in which anything can happen. However, following brief resume sets forth Embassy appraisal as of moment:

1. Papandreou is still pressing for early elections. His argument is that, in absence clear majority (excluding EDA support which he disavows), new elections needed clarify atmosphere. Withdrawal of ~~Caramanlis~~ makes elections all more desirable, in his view, as he argues people should have opportunity express choice under changed circumstances. Papandreou's main reason is that he is almost sure to gain substantially by new elections. No one seems to doubt this.

2. ERE opposed to elections, for obvious reasons, but apparently as yet undetermined what course it will follow when Parliament convenes. It has put up show of unity by election Canellopoulos leader in practically unanimous vote. However, there is not complete harmony in the ranks, nor even among top leadership. Some members feel that party should give vote of confidence to Papandreou in order make elections unnecessary and also face him with responsibilities Greeks want to oppose. There is, of course, also good chance that there will be some defections to CU. Situation

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(1)

Vol. 14 Greece

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too fluid to predict with any degree of precision what outcome will be.

[redacted] Although picture very clouded and Palace has shown itself subject to Papandreou pressure, it looks at moment that King will try to delay elections for time at least. We may know more Saturday after he sees Papandreou and Canellopoulos, who have separate audiences scheduled.

4. Meanwhile, Papandreou government continuing to dig in, and indications are that he will make statesmanlike presentation to Parliament next week, stressing importance economic stability, etc. While several of Ministers are men of real ability and, on balance, are showing themselves as competent-in some secondry Ministers more so--as Caramanlis Cabinet, it is not at all clear that they will work together as a team. (Some still act as if they cannot quite believe they have won, but this perhaps natural after so many years out of power). Moreover, the Papandreou-Venizelos differences still exist, and this will serve to weaken government. Furthermore, there are evidences that Venizelos is using his position as Foreign Minister to enhance his own political position.

GP-3.

LABOUISSE

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PAGE 3 RUGMAT 4996A C O N F I D E N T I A L
A) MINISTER OF COORDINATION SAID COUP WAS BEGINNING OF "ECONOMIC RENAISSANCE", THAT GREECE WAS COMMITTED TO FREE ENTERPRISE AND LEGITIMATE PROFITS, THAT STATE FINANCIAL ACTIVITIES WOULD BE RIGOROUSLY CONTROLLED TO THAT END, THAT PUBLIC EXPENDITURES WOULD BE ONLY FOR PRODUCTIVE PURPOSES, THAT GREECE WELCOMED THE EEC ASSOCIATION, AND WOULD COOPERATE IN GENERAL WITH LEGITIMATE COMMERCIAL INTERESTS, ETC.
B) IN WHAT MIGHT BE CONSIDERED FIRST IMPORTANT POLITICAL MOVE ON ECONOMIC FRONT, MINISTER OF AGRICULTURE ANNOUNCED THAT REGIME HAD ENDORSED THE PLAN OF THE KANELLOPOULOS GOVERNMENT (ADOPTED APRIL 20) TO RAISE PENSION AND ANCILLARY BENEFITS TO FARMERS BY ABOUT SEVENTY PER CENT ACROSS THE BOARD. WE HAVE NOT YET FULLY ASSESSED BUDGETARY IMPLICATIONS, BUT SUSPECT THEY MAY AMOUNT TO AS MUCH AS $19 MILLION.

5. OUR CONTACTS WITH CIVIL SERVANTS IN ECONOMIC MINISTRIES AND BANK OF GREECE INDICATE THAT REGIME IS ACCEPTING PROFESSIONAL ADVICE AND THAT "NEW BROOM" IS PUSHING FUNCTIONARIES HARD TO GET THINGS DONE. WE SEE POSSIBLE PROBLEM IN MINISTRY OF COORDINATION,

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[redacted]

6. IN GENERAL, AN OVERTLY RELAXED ECONOMIC ATMOSPHERE PREVAILS IN ATHENS AND, WE BELIEVE, THROUGHOUT GREECE. IT SHOULD BE NOTED, HOWEVER, THAT POLITICAL ARRESTS WITHIN LAST TWO DAYS HAVE INCLUDED STRATIS ANDREADIS, CHAIRMAN OF THE COMMERCIAL BANK OF GREECE AND REPORTEDLY, PORFYROGENIS, CHAIRMAN OF THE HELLENIC INDUSTRIAL DEVELOPMENT BANK (ETVA).
TALBOT
BT

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